IOWA Department of REVENUE

Iowa Modernized e-File (MeF)
Developer Guide and
Information for eFile Providers

Document Corrections / Changes

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1. Introduction

The Fed/State Modernized e-File (MeF) program is a cooperative effort
between the Internal Revenue Service (IRS) and participating state revenue
departments. MeF provides electronic filing and payment options to taxpayers
and tax practitioners. Once fully implemented, the current 1040 e-file
system, developed during the 1990's, will be phased out.

This publication is about Iowa's MeF program and is intended for software
developers, transmitters, and EROs. Section 8.5 lists what is supported by
Iowa MeF.

To develop software for use with the MeF system, Software Developers should
use this publication with Iowa MeF XML schema and business rules published
on www.iowa.gov/tax/forms/entry.html.

This publication does NOT represent the requirements, procedures, etc.,
issued by the IRS.

2. Iowa Contacts

2.1 Contacts for Electronic Return Originators (ERO)

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FAX Number  . . . . . . . . . . . . . . . . . . . . . . . (515) 281-0431
Mailing Address . . . . . . . PO BOX 10457, DES MOINES, IA  50306-0457

eFile Service Unit . . . . . . . . . . . . . . . . . . . .(515) 281-8453
Function: Customer Service . . . . . . . . . . . . . idrefile@iowa.gov

Leann Boswell . . . . . . . . . . . . . . . . . . . . . . (515) 281-4220
Function: ERO Support . . . . . . . . . . . . . . Leann.Boswell@iowa.gov
```

2.2 Answers to Questions about Iowa Tax Law

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Telephone . . . . . . . . . . . . . . . . . . . . . . . . (515) 281-3114
E-mail  . . . . . . . . . . . . . . . . . . . . . . . . . . idr@iowa.gov
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2.3 Contacts for Software Developers

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FAX Number  . . . . . . . . . . . . . . . . . . . . . . . (515) 242-6040
Mailing Address . . . . . . . PO BOX 10460, DES MOINES, IA  50306-0460

Peter Johann  . . . . . . . . . . . . . . . . . . . . . . (515) 242-5882
Function: Project Management  . . . . . . . . . Peter.Johann@iowa.gov

Deb Dotzenrod (Individual Income) . . . . . . . . . . . (515) 281-6824
Function: Product Registration, Specs, Iowa PATS Deb.Dotzenrod@iowa.gov

Brenda Hall (Business Income) . . . . . . . . . . . . . (515) 281-0384
Function: Product Registration, Specs, Iowa BATS Brenda.Hall@iowa.gov
```

2.4 Internal Revenue Service (IRS) e-help desk for eFile Providers

```
Mon – Fri, 6:30 a.m. to 6 a.m. Central Time . . . . . . (866) 255-0654
Federal, non-account related questions and issues concerning e-products
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3. Iowa Changes by Tax Year

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Listed below are changes impacting software related to tax legislation, policy,
and procedure. Also listed are the supported Iowa MeF schemas.
```

3.1 Tax Year 2010

```
Regular Corporation, S-Corporation, Partnership

Schema version IABusiness2010V1.0

2010 Iowa Legislative Summaries www.iowa.gov/tax/taxlaw/10legsum.html
```

3.2 Tax Year 2009

```
Regular Corporation

Schema version IABusiness2009V1.1

2009 Iowa Legislative Summaries www.iowa.gov/tax/taxlaw/09legsum.html

Tax years prior to 2009 are not supported in Iowa's MeF program.
```

4. Acceptance and Participation

4.1 Registering to Test Iowa MeF

- A state application is not required for practitioners, EROs or transmitters.
- E-file providers must be in good standing with the Iowa Department of Revenue and the IRS.
- Software products need only support the Iowa forms and schedules corresponding to tax circumstances that a given product is designed for. Developers must disclose software product limitations when registering.
- Every year, developers must notify Iowa Department of Revenue of their intent to participate in Iowa MeF by registering their software products. The Iowa registration discloses software product name, type, and limitations. Developers with multiple products must register each separately via SOFTWARE REGISTRATION - IOWA BUSINESS FED/STATE MeF PARTICIPATION (41-181) www.iowa.gov/tax/forms/entry.html
- Developers may amend their product registration at any time.

4.2 Assurance Testing (Iowa ATS)

- Transmitters and EROs are not required to test with IDR. The Department will accept and review test returns from transmitters.
- A software product must be registered with Iowa prior to transmitting Iowa tests. There is no deadline for submitting a first Iowa ATS test.
- A software product must have had at least one (1) federal ATS return accepted by the IRS prior to transmitting Iowa tests.
- Iowa will send acknowledgements for all tests received.
- Iowa encourages developers to submit additional test scenarios that they create themselves using FEINs different from those in Iowa's ATS scenarios. Acknowledgements will be sent, but the tests will not be reviewed. The FEIN must match the respective Iowa ATS scenario to signal reviewers to review the test.
- Developers must attempt to resolve issues raised by the reviewers prior to re-submitting affected Iowa ATS scenarios.

4.3 Approval to eFile Iowa MeF

- Software products must pass Iowa ATS prior to submitting "live" MeF tax returns.
- Iowa Department of Revenue issues an approval letter to software companies for products passing Iowa ATS, subject to the scope and limitations documented during test registration and demonstrated during Iowa ATS.
- The Department posts a list on its web site of MeF software companies having approved products as a courtesy to taxpayers. The Department does not endorse software companies nor guarantee their products, services, or prices. Software companies must provide technical support for their products. The Department does not offer technical assistance for software products.

5. eFile Provider Responsibilities

5.1 State of Iowa Tax Information

Iowa Department of Revenue home page: www.iowa.gov/tax

Iowa Tax Research Library: http://itrl.idr.iowa.gov/

Iowa Legislative Summaries: www.iowa.gov/tax/taxlaw/taxlawlegis.html#LegSum

News releases about Iowa tax legislation which may affect Iowa Income Tax filing: http://elists.idrf.state.ia.us/scripts/wa.exe (includes listservs, searchable archives, and full archives)

Iowa Business Income Tax Forms and Instructions
    Corporation www.iowa.gov/tax/forms/corpinc.html
                www.iowa.gov/tax/forms/CorpArchive.html
    Partnership www.iowa.gov/tax/forms/partinc.html
                www.iowa.gov/tax/forms/PartIncArchive.html
    All Taxes www.iowa.gov/tax/forms/loadform.html
    Draft forms www.iowa.gov/tax/forms/entry.html

Admin Rule 701—8.5 (422) Electronic filing of Iowa income tax returns
http://itrl.idr.iowa.gov/Docs/Rules/701/8/rules/701.8.5.pdf

Information for Software Developers: www.iowa.gov/tax/forms/entry.html:
- Iowa draft tax forms and instructions
- Iowa MeF documentation: Developer Guide, Business Rules, Schema, Software Product Registration

Software developers wanting news about Iowa MeF may provide their contact information to the Iowa contacts in Section 2.3.

IRS Modernized e-File (MeF) User Guides & Publications:
www.irs.gov/efile/article/0,,id=171946,00.html

5.2 Confidentiality

The Iowa Department of Revenue expects tax software companies to develop products that help their customers protect taxpayer data. Software companies are encouraged to heed IRS Publication 4557, *Safeguarding Taxpayer Data: A Guide for Your Business*.

The Iowa Department of Revenue encourages tax software companies to develop products that implement the IRS's six e-file security and privacy standards to better protect taxpayer information collected, processed, and stored by Authorized IRS e-File Providers.

www.irs.gov/efile/article/0,,id=201195,00.html

5.3 ERO Responsibilities

- Use approved software for the Iowa electronic filing program.
- When an IA 8453 is required:
  - o Make sure that the name and FEIN are printed correctly on the IA 8453 and that the information matches corresponding fields on the electronic return.
  - o Retain the IA 8453 and all attachments for three years from the due date or filing date, whichever is later.
  - o Send the IA 8453 and all supporting documents within five work days of any request by the Department.
- Give the taxpayer copies of all forms filed, including attachments.
- Retrieve the State acknowledgment within two work days of transmission by the Department.

5.4 Provisions for Continued Participation

- eFile provider remains eligible to participate in the federal MeF program
- eFile provider takes measures to remain informed about federal/Iowa income tax law and federal/Iowa MeF programs
- Developer takes measures to assure software products submit tax returns consistent with taxpayer intent, minimizing grounds for any party to question or refute the validity of submissions
- Developer software products produce submissions that comply with the schema versions and business rules prescribed by the IRS and State of Iowa for the tax years being filed
- Developer only releases software products for given tax years that have passed federal and Iowa ATS
- Developer cooperates with the Department in a timely fashion when the Department provides notification of issue with a software product
- eFile provider understands that the Department monitors the quality of submissions and that eFile providers deviating from the intent of the federal and Iowa MeF programs risk suspension from participating in Iowa MeF

5.5 Provisions for Suspension from Participation

(This list is not all-inclusive.)

- IRS suspension from the federal MeF program
- Submitting Iowa returns with software not approved for use in the Iowa MeF program
- Submitting Iowa returns inconsistent with software limitations reported to and approved by the Department
- Deterioration of submission quality
- Excessive errors, omissions, rejections, or other defects
- Failing to correct software defects in a timely manner
- Significant complaints about a software product
- Failure to cooperate with the Department's efforts to monitor electronic filers, investigate electronic filing abuse, and investigate the possible filing of fraudulent returns

5.6 Administrative Review Process for Suspension

The Department will notify the eFile provider by letter if it is suspended from the Iowa MeF program for reasons described above.

If the eFile provider disagrees with the suspension, the eFile provider must file a written protest with the Department within 60 days of the date of the suspension letter. The written protest must be filed pursuant to rule 701-- 7.41(17A). The eFile provider will not be allowed to participate in the Iowa MeF program during the administrative review process.

6. Miscellaneous

6.1 Rejects and Timeliness of Filing

The Iowa MeF system rejects submissions that fail to comply with formatting and business rules. Rejected submissions are considered "not filed" but are temporarily held in suspense to reference in case corrections are submitted.

If a return is rejected, it can be corrected within 10 days and be given the postmark date of the original rejected tax return, provided that the corrected submission references the original submission ID.

The "10-Day Rule" applies only to returns, not to payments. The balance due must be paid by the due date to avoid late fees.

ACH Debit payments submitted with returns are processed only if returns are accepted. It is recommended that the ACH Debit payments be transmitted "stand-alone" rather than with the return when the return can not be corrected by the payment due date.

IRS system outages, scheduled and unscheduled, result in intermittent down time for transmitters and states. The IRS generally schedules a routine maintenance window on Sundays from 12:00 am to 6:00 am, Central Time. For more information about IRS system status and possible delays, refer to the Modernized e-File Status page on IRS.gov at:
www.irs.gov/efile/article/0,,id=168537,00.html

7. Acknowledgements

7.1 Acknowledgement Turnaround

The Iowa MeF system generates an acknowledgement for each state submission and sends it to the IRS MeF system for the transmitter to retrieve. An Iowa acknowledgment is separate from the federal acknowledgment. Receiving a federal acknowledgment does not mean Iowa received the state submission. Only an Iowa acknowledgment guarantees the Iowa submission was received.

This acknowledgement signals e-file providers that Iowa has either accepted or rejected the corresponding MeF submission. The Iowa Department of Revenue endeavors to acknowledge submissions hourly but staffs the MeF system to resolve technical issues during weekday business hours only.

7.2 Missing Acknowledgement

If one or more of the following occurs:
- Iowa acknowledgments were received for some returns, but not all returns transmitted on the same day
- A transmission day was skipped (for example, received Iowa acknowledgments for Monday and Wednesday transmissions, but none for Tuesday)

Then verify:
1. The IRS has accepted the federal return linked to the state return.
2. The transmitter has retrieved all available Iowa acknowledgments from the IRS.
3. The ERO has retrieved all available Iowa acknowledgments from the transmitter.

Transmitters that do not receive Iowa acknowledgements within a few hours may expect to receive them within one business day of the Department receiving state returns from the IRS. The Department expects EROs to resolve missing acknowledgements through their transmitter. The Department will assist transmitters with missing acknowledgements, not EROs or taxpayers, if provided the following information:

- Electronic Transmitter ID Number (ETIN)
- Electronic Filer ID Number (EFIN)
- FEIN of the submissions in question
- Transmission Date
- Submission ID
- Date of federal return acknowledgement
- Transmitter contact name and telephone number

7.3 Business Rules

MeF Rules for Iowa Business Income Tax: www.iowa.gov/tax/forms/entry.html

Iowa Rule Number – Each business rule has a number that uniquely identifies the business rule within the Iowa MeF system. The rule number begins with a letter identifying the rule type applied, the form/schedule that owns the rule (types F and S only), followed by a sequence number.

Iowa Rule Types:

```
F    Form
R    Return
T    Transmission
X    XML – data must conform to specified XML schema
S    Schedule qualified by form
FT   Financial Transaction
```

Iowa Rule Number Examples:

```
FIA1120-001: First rule of Form IA1120
SA-FIA1120-001: First rule of Schedule A of form IA 1120
SG-FIA1120-001: First rule of Schedule G of form IA 1120
FIA148-001: First rule of Form IA148
```

```
T0000-001: First transmission rule
X0000-001: First XML schema rule
R0000-001: First return rule
FT0000-001: First financial transaction rule
```

Rule text – Each business rule prescribes what is expected in order to comply with a requirement. Rule text uses business terms (as opposed to programming terms) that are readily understood by tax subject matter experts, electronic return originators, and transmitters familiar with Iowa forms. Rule text pertaining to forms and schedules usually follows a pattern: Main data is referenced first and other affected data thereafter. Form number, step, part, and line number are included when available, followed by data name – usually as written on the paper form. References in the rule to other affected data elements are only by line number and data name if on the same form/schedule, step, and/or part as the main data element.

8. General Information

8.1 Signature Requirements

The IA 8453 must be completed when a return is eFiled. Attach all supporting documents and retain. Provide a copy to the signing client.

If the ERO changes the electronic return after an IA 8453 has been signed, but before transmitting, the ERO must obtain a corrected, signed IA 8453.

If errors are found after the data has been transmitted, an amended return must be filed.

8.2 Federal Data Requirements

The instructions for each type of return specify which portion of the federal return must be provided with the Iowa return. The State Submission Message Structure provides a place for a copy of the federal return as explained in the IRS's MeF State and Trading Partners Reference Guide.

Caution: The IRS rejects "linked" state submissions that fail to link to an "accepted" federal submission. Iowa does not receive state submissions rejected by the IRS.

8.3 General Data Requirements

Omit elements intended to be unreported; do not send empty data elements.

Unreported "optional" amounts are treated as having value zero.

Ratios and percents may be reported using as many decimal places as the schema allows unless the tax form or its instructions specify otherwise.

8.4 Excluded from Iowa MeF

- IA 1040 – Iowa Individual Income Tax (remains under ELF program)
- IA 1120X – Iowa Amended Corporation Income Tax Return
- IA 1120A – Iowa Corporation Income Tax Return – Short Form
- IA 1139-CAP Application for Refund Due to the Carryback of Capital Losses
- IA 1139-NOL – Application for Refund Due to the Carryback of Net Operating Losses and Alternative Minimum Tax Losses for Years beginning prior to January 1, 2009 ONLY
- Certain Iowa Corporation Income Tax Returns:
    - Filed for any tax year prior to 2009
    - Filed by Cooperative Association
    - Filed by Nonprofit Corporation reporting Unrelated Business Income Taxes (UBIT)
- Direct deposit of refunds into multiple accounts
- Claim for refund by S Corporation – See IA 1120S instructions

8.5 Supported by Iowa MeF

- Online returns prepared by a taxpayer using Department-approved software
- Returns prepared by an ERO and/or Paid Preparer using commercially purchased professional software
- Linked (preferred) and unlinked filings
- ACH Debit payment for tax amount due and estimated tax payments
- ACH direct deposit regular corporation refunds into one account
- Calendar Year (12-month tax period normally ends December 31)
- Fiscal Year (12-month tax period normally ends other than December 31)
- Short Period (filing for less than 12 months)
- Supporting Documentation – Taxpayers are sometimes instructed to "attach" supporting information to the tax return. This includes tax forms, statements, explanations, elections, notices, schedules, or other types of miscellaneous information explained on tax forms, instructions, regulations, or publications.
    - Federal forms – When Iowa instructions call for federal forms to be attached, Iowa expects requisite forms to be present within IRS MeF submission copy provided to Iowa. Iowa does not redefine federal forms in its schema.
    - Simple explanation attributes or elements have been defined in the schema when appropriate to convey supporting textual statements.
    - Complex explanation attributes or elements have been defined when appropriate to convey supplementary information that is formatted or tabular.
    - Optional PDF binary attachments are provided for within the Iowa submission when the methods described above are insufficient. If software or practitioner cannot provide binary attachments in the electronic submission, hardcopy attachments must be attached to a signed transmittal form, retained by preparer until requested, and mailed to the Department.

- Regular Corporation

    IA 1120 – Iowa Corporation Income Tax Return – Long Form; (for original filing only; do not use the IA 1120 to amend.) includes:
    - Schedule A – Other Additions and Reductions
    - Schedule B – Foreign Dividend Exclusion
    - Schedule C1 – Credits
    - Schedule C2 – Payments
    - Schedule D – Nonbusiness Income
    - Schedule E – Business Activity Ratio (BAR)
    - Schedule IA 4626 – Computation of Minimum Tax
    - Schedule IA 8827 – Computation of Minimum Tax Credit

    Schedule F – Net Operating Loss
    Schedule G – Alternative Minimum Tax Loss
    Schedule H – Computation of Federal Tax Refund/Deduction
    Schedule I – IA 851 Affiliation
    Schedule J1 & J2 – Consolidated Business Activity Ratio
    IA 1120ES – Estimated Tax Voucher for Corporations
    IA 1120V – Iowa Corporation Income Tax Payment Voucher
    IA 2220 – Underpayment of Estimated Tax by Corporations

- S Corporation

    IA 1120S – Iowa Income Tax Return for an S Corporation
    Schedule K-1 – Shareholder's Share of Iowa Income, Deductions, Modifications
    (Use the same forms to amend.)

- Partnership

    IA 1065 – Partnership Return of Income
    Schedule K-1 – Partner's Share of Iowa Income, Deductions, Modifications
    (Use the same forms to amend.)

- Forms Common to Multiple Taxes

    IA 4136 – Computation of Iowa Motor Fuel Tax Credit
    IA 4562A – Iowa Depreciation Adjustment Schedule
    IA 4562B – Iowa Depreciation Accumulated Adjustment Schedule
    IA 148 Tax Credits Schedule
    IA 128 – Iowa Research Activities Credit
    IA 128A – Iowa Alternative Incremental Research Activities Credit
    IA 133 – New Jobs Credit
    IA 135 – E85 Gasoline Promotion Tax Credit
    IA 137 – Ethanol Promotion Tax Credit
    IA 3468 – Investment Tax Credit
    IA 8864 – Biodiesel Blended Fuel Tax Credit

8.6 Refunds

Taxpayers may opt for regular corporation overpayments to be:
- Applied to next year's estimated tax
- Refunded by direct deposit or paper check
- Split so that a portion is applied to next year's estimated tax and the rest received as direct deposit or paper check. A refund may not be split between a direct deposit and paper check.

When direct deposit is requested, the taxpayer must show the ERO proof of account from the financial institution that the taxpayer designates to receive the direct deposit. EROs must verify that information entered in Part II of form IA 8453-C is correct and is the same information transmitted to the Department. The Department will issue a paper check if direct deposit information is invalid.

Refunds may be delayed beyond three weeks when:
- Overpayment is offset for an outstanding liability to the Department, another state agency, an Iowa county, or the IRS. Any remainder of the overpayment after the offset will be processed as the taxpayer opted.
- Incomplete return; explanation or supporting documentation is missing
- Errors in the calculation of the return
- Additional review is needed

If an S Corporation refund is due because estimated payments exceed the tax due, you must request a refund by separate letter. Send to Iowa Department of Revenue, PO Box 10456, Des Moines IA 50306-0456.

8.7 Payments

The balance due must be paid by the due date to avoid late fees. Payment options for balance due returns and estimated payments:
- **MeF (direct debit)**
    o Use your software to authorize the Department to debit your account.
- **ePay (direct debit)** www.state.ia.us/tax
    o On the Department home page, under "Businesses", click on: eFile & Pay.
- **Mail your payment** and completed IA 1120ES or IA 1120V Payment Voucher.
    o Mail to the Department as instructed on the payment voucher.

8.8 Fraud Awareness

You can assist in identifying potentially fraudulent returns before they are transmitted. Should you suspect false information is being submitted to you for electronic filing, we encourage you to contact the Department's Investigative Audit Section at 515-281-8475.

9. Schemas and Specifications for Software Developers

9.1 Packaging

The IRS prescribes SOAP and packaging specifications. For MeF Transmission File Structures for Internet Filing Application (IFA) and Application-to-Application (A2A), refer to IRS publications:

- Pub 4164, *Modernized e-file (MeF) Guide for Software Developers and Transmitters*
- *MeF Submission Composition Guide*
- *MeF State and Trading Partners Reference Guide*

To indicate State of Iowa submission, value "IA" must occur in the Jurisdiction element of /ReturnState/ReturnHeaderState.

9.2 Schemas, Instance Documents, and Business Rules

www.iowa.gov/tax/forms/entry.html

9.3 Annotated Application Processing Instructions

The Iowa Department of Revenue needs to specify application processing instructions inside of its state MeF schemas to tell its MeF host application how to process a given section in a conforming xml document.

Iowa has placed these instructions in the <appinfo> element in accordance with W3C recommendations. The <appinfo> element is a child of the annotation element, designed to pass information to a processing application, stylesheet, or other tool. http://www.w3.org/TR/2004/REC-xmlschema-1-20041028/structures.html#Annotation_details

Using the <appinfo> element necessitates Iowa specifying an additional namespace in its MeF schemas:
xmlns:b="http://schemas.microsoft.com/BizTalk/2003" This namespace merely facilitates interpreting schema annotations; xml submission data is valid without listing this namespace.

All Iowa XSDs with multiple root elements have:

  1. A namespace specified in all annotations

```
    <xsd:annotation>
         <xsd:documentation>
                <Description xmlns="http://www.irs.gov/efile">A Short
      period</Description>
                <LineNumber xmlns="http://www.irs.gov/efile">Step
      1</LineNumber>
         </xsd:documentation>
    </xsd:annotation>
```

The default "http://www.irs.gov/efile" namespace gets used when no namespace is specified.

2. An additional annotation specifying which element is to be treated as the root for processing application instructions

```
<xsd:annotation>
 <xsd:appinfo>
  <schemaInfo root_reference="FormIA1120"
xmlns="http://schemas.microsoft.com/BizTalk/2003"/>
 </xsd:appinfo>
</xsd:annotation>
```

Providing application processing instructions in copies of state MeF schemas that Iowa releases to software developers makes it unnecessary for Iowa to maintain separate parallel copies of each MeF schema version (that is, one copy for internal use and one copy for software developers).